

Message Text

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TAGS: EVIN, HO

SUBJECT: BANANA ADVISORY COUNCIL PRESENTS RECOMMENDATIONS TO
CHIEF OF STATE

1. SUMMARY: ON JULY 8, 1975, THE HONDURAN BANANA
ADVISORY COUNCIL PRESENTED CHIEF OF STATE MELGAR WITH
A SERIES OF RECOMMENDATIONS CALLING FOR SUBSTANTIAL
MODIFICATION OF OPERATIONS OF THE TELA RAILROAD
COMPANY (UNITED BRANDS) AND THE STANDARD FRUIT COMPANY
(CASTLE AND COOK INC.) IN HONDURAS. ONE OF THE
RECOMMENDATIONS IS THAT THE GOH FILE SUIT AGAINST
UNITED BRANDS FOR BRIBING GOH OFFICIALS. MELGAR
STATED THAT HIS GOVERNMENT WOULD ANALYZE THEM CAREFULLY
BEFORE MAKING A DECISION. END SUMMARY

2. THE FIRST RECOMMENDATION OF COUNCIL IS THAT THE
GOH REVOKE OPERATING CONCESSIONS OF THE TELA
RAILROAD COMPANY AND THE STANDARD FRUIT COMPANY.
THESE CONCESSIONS ARE ALLEGED TO BE UNCONSTITUTIONAL
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SINCE THEY EXEMPT BANANA COMPANIES FROM PAYMENT
OF PRESENT AND FUTURE TAXES WHICH OTHER ESTABLISHED
HONDURAN FIRMS MUST PAY. COUNCIL ALSO RECOMMENDS
THAT MINISTRY OF TREASURY REVIEW COMPANIES' TAX

RECORDS TO ASCERTAIN IF THEY CONFORM TO HONDURAN LAW. (COMMENT: THERE IS RESIDUAL VALUE TO THE TELA RAILROAD CONCESSION OF \$12.5 MILLION ACCORDING TO THE COMPANY. THIS APART, IT APPEARS THAT OPERATION OF THE COMPANY UNDER EXISTING PROMOTION LAWS WOULD LEAVE IT IN A BETTER NET FINANCIAL POSITION. THIS ARGUMENT WAS MADE IN COHEP.)

3. COUNCIL RECOMMENDS THAT RAILROADS AND WHARVES OWNED BY THE COMPANIES BE TRANSFERRED TO THE NATIONAL RAILROADS OF HONDURAS AND THE NATIONAL PORT AUTHORITY, RESPECTIVELY. THE COUNCIL SUGGESTED THAT THE GOH TAKE ADVANTAGE OF HISTORICAL CIRCUMSTANCES TO EFFECT NATIONALIZATION. THE REPORT RECOMMENDS THAT THE PUERTO CORTES WHARF (TELA RAILROAD CO.) BE ACQUIRED WITHOUT COST TO STATE SINCE IT IS PRESENTLY IN POOR CONDITION AND HINDERS DEVELOPMENT PLANS OF NATIONAL PORT AUTHORITY. (COMMENT: THE NPA OWNS IT, UB IS LESEE.) IT RECOMMENDS THAT THE STANDARD FRUIT COMPANY RAILROAD BE NATIONALIZED WITHOUT COST TO THE GOH DUE TO ITS VERY BAD PHYSICAL CONDITION AND ALSO NONCOMPLIANCE WITH IMPORTANT CLAUSES OF ITS CONTRACT WITH THE GOH FOR THE OPERATION OF THE RAILROAD.

4. ANOTHER RECOMMENDATION IS THE ADOPTION OF A POLICY TO REACH A GREATER LEVEL OF HONDURAN PARTICIPATION IN THE BANANA BUSINESS. IT CALLS FOR MAJORITY HONDURAN OWNERSHIP OF BANANA COMPANY SHARES SO THAT TELA AND STANDARD WOULD BECOME HONDURAN FIRMS SUBJECT TO HONDURAN LAWS. (COMMENT: THERE IS NO APPARENT SOURCE OF SUCH CAPITAL, NOR IS ANY FINANCING MECHANISM SUGGESTED IN THE REPORT.)

5. ACCORDING TO THE COMMISSION, THE NEW BANANA POLICY IS AIMED AT DEFENDING AND STIMULATING BANANA PRODUCTION AND EXPORTATION BY HONDURAS IN ORDER TO RECOVER THE POSITION IT FORMERLY HELD IN THE WORLD MARKET.

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6. THE COUNCIL RECOMMENDS THAT THE EXPORT TAX ON BANANAS BE MAINTAINED SO LONG AS IT IS CONGRUENT WITH THE INTERNATIONAL MARKET AND THE COMPETITIVE POSITION OF HONDURAS IN IT. HOWEVER, THE COUNCIL RECOMMENDS THAT THE EXPORT TAX ON BANANAS BE INCREASED IF: A) HONDURANS DO NOT ACQUIRE MAJORITY CONTROL OF THE BANANA COMPANIES; B) A PROFITABLE FOB SALES PRICE IS NOT OBTAINED FOR NATIONAL BANANA PRODUCTION; AND C) THE BANANA COMPANIES REFUSE TO ACCEPT A MECHANISM WHICH PERMITS NATIONAL PRODUCERS TO PARTICIPATE IN THE EXPORT MARKET.

7. THE REPORT CALLS FOR THE ESTABLISHMENT OF A HONDURAN

BANANA INSTITUTE WHICH WOULD PROVIDE ASSISTANCE
AND SUPPORT TO NATIONAL PRODUCERS IN THE MARKETING
OF BANANAS.

8. IT IS RECOMMENDED THAT HONDURAS RATIFY THE
UPEB (UNION OF BANANA EXPORTING COUNTRIES) CONVENTION
AND CONTINUE TO PARTICIPATE IN UPEB MEETINGS AND
OTHER INTERNATIONAL CONFERENCES.

9. FINALLY, THE COUNCIL RECOMMENDS THAT THE GOH
SERIOUSLY CONSIDER SUING UNITED BRANDS FOR LOSSES
AND DAMAGES INCURRED AS A RESULT OF BRIBES THE COMPANY
PAID TO GOH OFFICIALS. THE SUIT SHOULD BE FILED
IN UNITED STATES SINCE THE UNITED BRANDS HOME OFFICE
IS LOCATED THERE. (COMMENT: THIS IS A INCREDIBLE
TACK IN VIEW OF THE GOH INCAPACITY TO BRING ITS OWN
OFFICIALS TO ACCOUNT.)

10. COMMENT: THE OUTCOME OF THIS EXERCISE MAY BE PURELY
PUBLIC RELATIONS PLUS A MEASURE OF WHAT WOULD HAVE
HAPPENED ANYWAY. THE CHIEF OF STATE MAY SIMPLY
ACCEPT THE REPORT AND PASS IT TO THE HONDURAN BANANA
INSTITUTE FOR RECOMMENDATIONS, MEANWHILE DEALING
WITH THE COMPANIES ON A BILATERAL BASIS.

11. TELA RAILROAD MANAGER LACOMBE TOLD EMBOFF
JULY 11 THAT CENTRAL BANK PRESIDENT GAVE ASSURANCES
OF RATIONAL BANANA POLICY AND PROPOSED DISCUSSIONS
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BETWEEN COMPANY AND GOH ECONOMIC OFFICIALS TO
COMMENCE WEEK OF JULY 21.
SANCHEZ

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